III. The Role of the Banque de Syrie

The Banque de Syrie in Qamishli provided a part of the need for seasonal capital. The amount of its credit increased yearly with the development of the region until it reached the sum of LS 7,000,000 this year out of a total credit of LS 17,000,000. 452 453

But the influence of the Banque de Syrie in the economic life of Jazirah is not limited to the sum of LS 7 millions disbursed directly by its branch office in Qamishli to individual borrowers. Most of the remaining credit supplied to Jazirah by Aleppo finds its source in the Banque de Syrie.

In Qamishli the Banque extends two types of credit. Commercial credit in bills signed by the debtor and endorsed by two persons acceptable to the Banque, the last of whom should have a credit in his name free at the moment of discount for a sum at least equal to the sum discounted. The maximum duration of the bill is 90 days. The second type is agricultural credit. It used to be given against bills of the same type discussed above but renewable twice, but in the last five years a new and more elastic system was introduced whereby credit was given for a period of nine months for winter crops and six months for summer crops. The beneficiary has to sign an agreement with the Banque with two other persons as endorsers. During the period of the loan he can draw the amount agreed upon and refund it at the date of expiration.

The average amount allowed to the owner of an agricultural outfit is LS 15-20 000. The Banque does not worry about its loans because it usually accepts only the best signatures and it has always been able to recover its loans even in the worst years. Its interest rates are 9% while they are 7% in the other towns of Syria.

The seven million pounds credit of the Banque de Syrie is not given entirely to farmers and merchants for legitimate use. A good part of it goes to money lenders in Qamishli who lend it in turn to farmers at much higher rates reaching 24-60%.

IV. Credit by Aleppo Merchants

Since the Banque provides only about 45% of the credit needed, and that only to the best signatures, a large field is left to the private money lender. The merchants of Aleppo directly or through their agents in Qamishli provide the remaining percentage of credit. This credit is given in commercial bills for a duration of three 452

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Office is responsible for enforcing foreign exchange controls and regulating the foreign exchange market. Although it has no monopoly, the Office is the principal buyer and seller of foreign exchange either via the commercial banks or directly. While recognizing the postwar depreciation of the Syrian pound from the nominal official rate of £S 2.20 to the dollar, it has intervened to smooth out the fluctuations in the *de facto* or free rate arising from the seasonal nature of the country's exports. Its stabilization operations were initiated at the end of 1952 when it began publishing a daily bulletin of the rates at which it was prepared to buy and sell. In 1953 it broadened its stabilization operations by setting rates for forward transactions. In the initial period it succeeded in narrowing the fluctuations, and since July 1953 it has kept the dollar rate at £S 3.575. Its operations were undoubtedly instrumental in preventing the favorable trend in the balance of payments during 1953 from resulting in a marked appreciation of the Syrian pound, which would have adversely affected Syria's exports. The Exchange Office has allowed rates of other currencies to fluctuate more widely, in accordance with their strength relative to the dollar as reflected in free markets.

Virtually all foreign exchange transactions now take place at the market rate as regulated by the Exchange Office. Foreign oil companies, however, are still required, pending the settlement of a conflict over oil transit payments, to buy Syrian pounds at the official rate for the purpose of meeting their local expenditures; and exchange required for imports of petroleum products is also furnished at the official rate.

Since 1948 foreign exchange restrictions have been progressively abandoned, so that all payments can now be freely made. Although imports are still subject to prior license, exchange is readily made available unless imports are restricted or prohibited for protectionist reasons. No restrictions exist on transfers of capital or payments of invisibles. Most exports are licensed partly to protect domestic consumers and partly to enforce repatriation of foreign exchange for shipments to all destinations except Arab countries. The requirement of repatriating foreign exchange was instituted to provide the Syrian market with a regular supply of foreign exchange.

The Syrian economy is served primarily by foreign banks. Of the 15 commercial banks accredited at the beginning of 1954, 10, including all the larger institutions, were foreign: five were French, two Jordanian, and one each Iraqi, British and Egyptian. The BSL, as the largest commercial

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453 bank, the principal depository of government funds and the bank of issue, dominates the banking system. There is only one government banking institution, the Agricultural Bank, which extends a limited amount of credit to agriculture. The banks engage principally in short-term financing of foreign and domestic trade. A few, particularly the BSL, now also grant seasonal credits for agricultural crop production up to a limit of 300 days. Competition among banks is keen. Interest rates on loans and advances have tended to decline and are now generally between 5% and 7%. As much as 2% to 3% is paid even on current deposits, with slightly higher rates on time deposits. Although the BSL, functioning in this respect as a central bank, is able and willing to provide ample rediscount facilities, other banks generally avoid rediscounting their paper with an institution they regard as their principal competitor. Foreign banks prefer to obtain any additional funds they may need from their parent institutions abroad. Thus, to meet the expanding credit needs in Syria, the commercial banks increased their liabilities abroad from £S 62 million at the end of 1952 to £S 98 million at the end of 1953; by June 30, 1954, such liabilities had risen to £S 117.9 million as compared with £S 95 million for the corresponding date of the preceding year. Because of their access to resources abroad most of the banks apparently do not consider it necessary to maintain a high proportion of liquid assets to short-term liabilities in Syria.

453 436 Although the use of checks has grown, internal payments are still predominantly effected in cash. This undoubtedly accounts for the fact that the proportion of private deposits to net note and coin circulation, although steadily growing, was still only 33% by the end of 1953. As of that time, as shown by Table 2, the total money supply[8] amounted to £S 376.3 million of which £S 271.5 million or about 72% represented notes and coins. The relatively small use of checking accounts also explains, at least in part, the high proportion of bank loans, advances and discounts for the private sector to total private deposits. At the end of 1953 the volume of such credit accommodation—£S 226.6 million—represented 247% of total private bank deposits. In most other countries the amount of bank credit to the private sector tends to be considerably less than the total of private deposits.

[8] Of the deposits, only the sight deposits of private persons and public enterprises have been included in money supply. The rate of turnover of deposits of the government and public administration is not very high.

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TABLE 2 Monetary and Banking Data

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(Million £S) 436

	End of period				
				June	
	1951	1952	1953	1953	1954
Money supply					
1. Notes and coins (net)	236.1	234.7	271.5	249.0	298.5
2. Private and public enterprise deposits	58.9	76.0	104.8	97.8	123.4
3. Private and all public deposits	114.0	181.2	250.3	205.7	215.1
Total (1 and 2)	295.0	310.7	376.3	346.8	421.9
Total (1 and 3)	350.1	415.9	521.8	454.7	513.6
Monetary gold and foreign exchange					
Total at free rate	114.3	107.6	157.0	106.3	144.8
Percent of note issue	46.1	45.0	56.7	n.a.	n.a.
Deposits (sight and time)					
Public	111.9	128.3	188.9	149.4	181.0
Private	60.5	77.8	96.3	n.a.	115.0
Total	172.4	206.1	285.2	n.a.	296.0
Loans, discounts and advances	115.1	146.0	226.6	187.9	309.5

n.a. = not available.
SOURCE: Office des Changes.

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In Syria, as in other underdeveloped countries of Asia, a considerable volume of credit is extended outside the banking system by merchants, landowners and professional moneylenders. Some of these, particularly the merchants, rely in turn on regular bank credit. Most of the credit outside the banking system is extended in the agricultural sector of the economy and is a reflection partly of the inadequacy of such institutions as the Agricultural Bank and partly of the poor credit risk of the borrowers. Loans of this type generally carry high, usurious rates of interest.

Another feature of the credit system is the lack of any institution, outside the Agricultural Bank, for financing investment. There is no mortgage-financing institution for building, and no bank to provide investment capital for industry. The BSL has in the past extended investment credits to industry, but only with the guarantee of the government.

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merchants who often impose onerous terms and hold the whip hand over their debtors.

The magnitude of the credit problem is not easy to assess. The amount of existing agricultural indebtedness is unknown and future credit needs are correspondingly difficult to estimate. The government would be well advised to carry out a study of the outstanding volume, source and terms of indebtedness in a number of agricultural areas in order to acquire more dependable data as a basis for future action.

Credit at present comes from three sources: the Agricultural Bank, a government institution; the commercial banks; and landlords, merchants and professional money-lenders. The Agricultural Bank provides loans at 6% up to a maximum of £S 7,500 per borrower. At the end of 1953 its outstanding loans amounted to £S 42 million. The average size of loans—£S 264—indicates how the Bank must disperse its limited resources. Since well over half of its assets are represented by long-term and medium-term loans and its lending resources have been increasing rather slowly, the Bank has been able to make new credit available only at an average annual rate of a little over £S 6 million over the four-year period 1950-1953.

A few of the commercial banks, principally the Banque de Syrie et du Liban, have made seasonal production credit available in recent years. Such loans are extended to larger farmers with a good credit standing for a maximum period of 100 days and at an interest rate of 6% to 7½%. The total amount thus made available is probably between £S 10 million and £S 15 million. The banks, however, also finance agriculture indirectly by extending credits to dealers in machinery and irrigation pumps who in turn finance purchasers of such equipment at interest rates of 9% to 12% or even more.

Most farmers can get credit only from non-institutional lenders. Interest rates charged by these vary widely but are often extremely burdensome, ranging as high as 50% to 100%. Even larger farmers often have to rely on such sources and pay as much as 12% to 18% interest. The small peasant proprietors and tenant farmers are generally the poorest credit risk and the most exploited and therefore pay the highest interest rates.

The great need today is for more institutional credit. The regular commercial banks may be expected in time to provide more financing for agriculture. When and if properly supervised grain storage facilities are established in accordance with the mission's recommendations, the banks

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will be willing and able to lend to farmers on the security of warehouse receipts. Thus within five or six years we may expect the volume of bank financing to rise to between £S 20 million and £S 25 million. Elsewhere the mission recommends the establishment of a predominantly privately-owned and entirely privately managed Investment Bank. Such a bank would not only invest in industry, but also make loans to farmers for the sinking of wells, the installation of irrigation pumps and the acquisition of machinery. Its lending to agriculture might reach £S 10 million, but its loans would presumably be made to the larger, more creditworthy farmers.

It is to the Agricultural Bank that most farmers must look for an expansion of institutional agricultural credit.[18] For this reason the mission strongly recommends that the existing capital and reserves of the Bank, amounting to £S 22.1 million at the end of 1953, be increased to £S 85 million. This should be accomplished by converting the Bank's indebtedness to the government and the government Cereals Office, totaling £S 12.4 million, into a permanent capital contribution and by making an additional government contribution of £S 50 million to the Bank's capital in installments over the next five years. If appropriate facilities for the rediscounting of the Bank's short-term paper are arranged with the projected Central Bank or, in the interim, with the Banque de Syrie et du Liban, the Agricultural Bank should be able to increase the volume of its outstanding loans up to between £S 120 million and £S 130 million. If the volume of lending by all institutions expands as indicated, it will then be possible to meet the increasing credit needs of Syrian agriculture and probably relieve at least to some extent the farmers' bondage to non-institutional lenders.

The Agricultural Bank should continue to cater primarily to the small farmers. Some limit on the size of individual loans should therefore be enforced, although the present limit of £S 7,500 might well be raised to around £S 10,000 to £S 15,000, with the proviso that total loans above a certain figure, say £S 5,000, shall be no greater than one-quarter to one-third of all loans outstanding. This limitation would not apply to loans to cooperatives, thus giving farmers an additional incentive to band together for such purposes as the installation of an irrigation pump or the sinking of a well, which might require a larger investment.

[18] See Annex E, p. 340.

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It should be emphasized that when the Agricultural Bank lends to cooperatives for re-lending to their members, it should accept as security the joint and several liability of the cooperative (i.e., the signatures of the Committee of the cooperative on the bond). The Bank should not demand mortgage security from the cooperative as a whole or from its members individually.

It is the mission's considered judgment that the present 6% interest rate charged by the Bank should be raised to 8%. The latter rate is not unreasonably high considering the cost of capital in Syria and particularly the much higher average cost of non-institutional credit. Such a rate would enable the Bank to increase its earnings and thereby its resources for future lending. Certain exceptions to this higher rate should in our opinion be made. As a special incentive, loans to cooperatives might be made at 6%. The mission also suggests a rate of 4% to 5% on certain long-term loans, such as those for the construction of farm dwellings and buildings, and for the establishment of orchards and vineyards where the yield is long deferred and investment might be discouraged by a high interest rate.

It is idle to expect that a substantial increase in the resources of the Bank will of itself solve the problem of agricultural credit. Much depends on the wisdom with which its resources are used and on the effectiveness of the organization and operating methods of the Bank. In the past the procedure for obtaining a loan from the Bank has been so cumbersome that borrowers have often preferred to pay a much higher price for credit from other sources. In the future the Bank's operations must be considerably more flexible. Lending in the past has been governed almost wholly by the availability of formal security in the form of a mortgage or joint guarantee. In the future the purpose of the loan should increasingly become the governing factor. The economic soundness of any loan must be determined primarily in the light of its impact on the production of the borrower. To be sure, some lending will always be needed to tide farmers over temporary difficulties due to harvest failures, physical disabilities or other causes beyond their control. In the long run, however, an increase in agricultural indebtedness will be warranted only if it is instrumental in raising the output of farmers in such a way that they will have an ample margin for repayment of their loans. For instance, institutional credit on reasonable terms can hardly replace non-institutional credit at usurious rates of interest unless the borrowers can at the same

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463 time be made more creditworthy by ensuring that the proceeds of loans are really used to improve production.

Thus the Bank must work out with the farmer in the village the best application of credit.[19] What is needed is a system of supervised credit which will in effect combine lending with agricultural extension or educational work. For this task the Bank will need a staff of credit supervisors properly trained not only in credit techniques and problems, but also in agriculture, methods of cooperative organization and action among farmers, and similar subjects. The mission strongly urges that about 100 selected students at the secondary agricultural school at Kharabo be trained over the next five or six years as credit supervisors by adding another year of specialized instruction to the regular school course. In devising training courses and initiating the supervised government credit program the government might usefully enlist the cooperation of the Near East Foundation, which has acquired valuable experience in working with farmers in a number of villages. Limitations of staff will make it impossible to launch the program on a large scale at once. The work can begin in certain selected areas and then be extended as more staff becomes available and experience is acquired.

The credit supervisor would be an employee of the Bank but would act primarily as a counsellor to farmers. He would advise farmers on a program of improvement which would raise their output and therefore merit a credit. While he would not handle or process a loan application, he would facilitate access to the Bank in meritorious cases, and loans would be made in the area where he is active only on his recommendation. He should never prejudice his relations with the farmers by acting as a collector of loans. His concern would be primarily with the small farmers, particularly with those who organize themselves as cooperatives, or with individuals who are not creditworthy in the sense of being able to offer formal security for loans. In fact, a credit supervisor might usefully be attached to each cooperative to guide it in its early and most difficult years.

In its lending operations the Bank will frequently encounter cases where peasants labor under such a crushing debt burden that they have no hope of emancipation. Under such circumstances additional credits designed to improve the farmer's position become impossible unless the existing

[19] See Annex E, p. 345.

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debt can be reduced to manageable proportions. The mission recommends therefore that Syria enact legislation establishing procedures under which the Bank can obtain an amicable and, if necessary, a compulsory adjustment of past indebtedness as a prerequisite to the extension of fresh credit calculated to set the farmer on his feet. The legislation adopted in Cyprus on this subject is likely to provide valuable guidance.

To carry out this expanded credit program the management of the Bank must be strengthened as much as possible. Competent management can be secured only if salaries comparable with those paid in commercial banks are offered. The board of directors should be carefully chosen from among citizens who have a genuine interest in agricultural credit. The inclusion of a qualified commercial banker would provide the board with valuable experience even though an agricultural credit institution should obviously not be operated just like a commercial bank. For the supervised credit program and the work with cooperatives it will be desirable to obtain the services of an expert foreign adviser. The bank management should be largely autonomous and free to determine its own operating procedures.

Cooperatives[20]

The mission has already indicated its belief that cooperatives should become an important vehicle for the extension of credit to farmers. Unfortunately few cooperatives now exist. Although 28 are officially registered, the great majority of them manifestly exist only on paper. Yet there are instances of successful cooperative organization, such as the olive growers' cooperative at Tartous. Nor is interest wholly lacking among farmers. In the past a considerable number of villages have appealed in vain to the government for assistance in the formation of cooperatives. The work carried on by the Near East Foundation in certain villages indicates that farmers are quick to respond when the advantages of cooperative action are pointed out to them.

In principle cooperatives can become important agencies of self-help. They can stimulate the development of a democratic community spirit and a sense of self-reliance among peasants who now feel helpless and excessively dependent on the landlord, merchant and money-lender.

[20] See Annex E, p. 348.

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ANNEX E *NOTES ON AGRICULTURAL INSTITUTIONS*

1 AGRICULTURAL BANK OF SYRIA

General

453 652 Of the estimated £S 100 million–£S 120 million of agricultural credit outstanding in 1953, some 10-15% was furnished by the private commercial banks (including the Commercial Department of the BSL), probably 50% by moneylenders and merchants, and somewhat more than 35% by the Agricultural Bank of Syria. In view of its future role the mission adds the following note on the ABS. The other sources of credit are dealt with in the Main Report.

652 654 The Agricultural Bank operates throughout Syria. In addition to its central Damascus office it has three main branches, in Aleppo, Latakia and Deir ez Zor, and 27 sub-branches in the more important towns. The facilities, however, are not adequate to channel an adequate volume of loans down to the level of the small farmer.

The ABS is a governmental institution, administered by a General Director and a board of nine directors, six representing respectively the Ministries of Finance, Agriculture and National Economy, and the Chambers of Agriculture, Industry and Commerce, and three selected by the Council of Ministers. Since 1950 the functions of the ABS have been considerably broadened. In addition to making loans to farmers, it now performs such extra-banking functions as purchasing and selling seeds, insecticides, and machinery, purchasing land and helping small farmers develop improved farm practices, and importing agricultural equipment. At present, it does not make loans directly to cooperatives. Loans have been granted to individual members with the joint guarantee of other members rather than to a cooperative association itself (the Bank Act, as redrafted (see below), would empower the ABS to lend directly to cooperatives). The limitations on extending loans for agricultural purposes are not to be found so much in the functions of the Bank as in the provisions dealing with the conditions under which loans may be granted. A principal objective should be the removal of burdensome restrictions and the substitution of desirable and sound loan policies.

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الثقية
الودائع (تحت الطلب ولاجل معين) والنقد في الصندوق وفي المصارف الاخرى لاهم المصارف العاملة في الجمهورية السورية
(بالوف الليرات)

DEMAND DEPOSITS AND TIME DEPOSITS CASH IN HAND AND CASH AT BANKERS FOR THE PRINCIPAL BANKS OPERATING IN SYRIA
(L.S. '000)

Table No. 7

جدول رقم ٧

As at the end of	Deposits الودائع:			النقد في الصندوق وفي المصارف الاخرى Cash in hand and at bankers	الى نهاية
	الجموع Total	تحت الطلب Demand deposits	لاجل معين Time deposits		
1951					١٩٥١
January	175,002	168,527	6,475	18,976	كانون الثاني
February	169,934	163,265	6,669	21,580	شباط
March	156,469	149,756	6,713	23,123	آذار
April	169,589	153,140	6,448	23,907	نيسان
May	158,845	151,528	7,317	26,674	ايار
June	165,463	157,931	7,532	27,800	حزيران
July	183,573	174,683	8,890	48,465	تموز
August	200,294	190,340	9,954	60,456	آب
September	196,039	184,218	10,821	48,213	ايلول
October	183,889	172,754	11,135	27,161	تشرين اول
November	200,532	187,553	12,979	29,770	تشرين الثاني
December	198,391	185,176	13,215	33,196	كانون اول
1952					١٩٥٢
January	202,966	193,670	9,296	28,270	كانون الثاني
February	205,645	175,221	30,424	33,648	شباط
March	220,073	189,914	30,159	40,681	آذار
April	223,991	188,523	35,468	43,514	نيسان
May	201,131	168,646	32,485	36,343	ايار
June	206,303	171,815	34,488	41,930	حزيران
July	215,096	180,511	34,585	37,192	تموز
August	221,809	193,935	27,874	29,081	آب
September	227,194	196,562	30,632	36,430	ايلول
October	223,594	193,012	30,582	34,829	تشرين اول
November	226,951	193,062	33,889	34,782	تشرين الثاني
December	241,955	198,617	43,338	45,017	كانون اول
1953					١٩٥٣
January	234,723	200,165	34,558	40,479	كانون الثاني
February	235,884	200,772	35,112	39,624	شباط
March	236,618	204,782	31,836	33,960	آذار
April	238,440	223,835	14,405	39,393	نيسان
May	227,550	211,542	16,008	28,969	ايار
June	231,156	210,916	20,240	34,951	حزيران
July	265,406	251,200	13,606	37,098	تموز
August	276,846	263,543	13,303	41,522	آب
September	278,647	263,787	14,860	36,525	ايلول
October	276,346	245,551	30,795	47,608	تشرين اول
November	289,878	263,260	26,618	37,967	تشرين الثاني
December	292,478	265,244	27,504	43,604	كانون اول

FINANCE

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السلفات (الخاصة بالاستيراد والعامة) والسندات المحسومة لاهم المصارف العاملة في الجمهورية السورية

(بالوف الليرات)

ADVANCES AND BILLS DISCOUNTED FOR THE PRINCIPAL BANKS OPERATING IN SYRIA

(L.S. '000)

Table No. 8 جدول رقم ٨

As at the end of	مجموع السندات المحسومة والسلفات Bills discounted and advances	السندات المحسومة Bills discounted	Advances السلفات			في نهاية
			الجموع Total	الخاصة بالاستيراد For imports	العام General	
1951						١٩٥١
January	104,636	30,276	71,360	10,737	63,625	كانون الثاني
February	106,452	33,194	73,258	13,888	59,370	شباط
March	99,403	32,924	66,479	13,501	52,978	آذار
April	101,201	30,512	70,689	11,028	59,661	نيسان
May	104,536	30,491	74,045	10,541	63,504	أيار
June	107,438	29,160	78,278	9,463	68,815	حزيران
July	104,865	24,787	80,078	9,975	70,103	تموز
August	106,600	30,438	78,162	8,059	70,103	آب
September	121,837	30,551	91,286	7,362	83,924	أيلول
October	141,036	34,678	106,358	8,790	97,568	تشرين اول
November	154,711	43,237	111,434	8,349	103,125	تشرين الثاني
December	142,852	33,650	109,202	8,322	100,880	كانون اول
1952						١٩٥٢
January	146,933	31,138	115,795	9,638	106,157	كانون الثاني
February	149,211	32,239	116,972	11,664	105,308	شباط
March	160,571	33,555	127,016	11,932	115,084	آذار
April	162,399	33,884	128,515	10,211	118,304	نيسان
May	146,292	37,003	139,292	7,964	131,328	أيار
June	176,936	37,448	139,488	6,901	132,587	حزيران
July	185,967	34,570	151,417	7,922	143,495	تموز
August	168,550	34,199	134,351	8,031	126,320	آب
September	203,160	33,382	169,778	7,411	162,367	أيلول
October	211,343	34,927	176,416	8,149	168,236	تشرين اول
November	216,436	35,782	180,654	9,655	170,999	تشرين الثاني
December	214,187	34,633	179,554	8,688	170,866	كانون اول
1953						١٩٥٣
January	223,892	33,600	190,292	10,201	180,091	كانون الثاني
February	217,908	32,929	184,979	11,588	173,391	شباط
March	228,347	35,219	193,128	11,360	181,768	آذار
April	239,126	42,039	197,037	7,082	190,005	نيسان
May	229,147	48,380	180,767	10,285	140,482	أيار
June	248,466	54,250	194,216	7,734	186,482	حزيران
July	197,223	64,751	132,472	—	—	تموز
August	199,526	63,431	136,093	—	—	آب
September	216,037	66,577	149,160	—	—	أيلول
October	234,352	65,873	168,479	—	—	تشرين اول
November	237,193	66,910	170,283	—	—	تشرين الثاني
December	218,994	74,626	144,368	—	—	كانون اول

Source : Credit and Currency Board المصدر : مجلس النقد والتسليف

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نسبة مجموع السندات المحسومة والسلفات الى مجموع الودائع ونسبة مجموع السلفات الى مجموع الودائع

(المبالغ بالوف الليرات السورية)

RATIO OF TOTAL BILLS DISCOUNTED AND ADVANCES TO TOTAL DEPOSITS AND RATIO OF ADVANCES TO DEPOSITS

Table No. 9 (Amounts in L.S. '000) جدول رقم ٩

As at the end of	مجموع السندات المحسومة والسلفات Total bills discounted and advances	مجموع السلفات الخاصة والعامة Advances	مجموع الودائع Total Deposits	السندات المحسومة والسلفات الى الودائع ٪ Advances and b/d to deposits %	نسبة السلفات الى الودائع ٪ Ratio of advances to deposit %	في نهاية
1951						١٩٥١
January	104,636	74,360	175,002	59,8	42,5	كانون الثاني
February	106,452	73,258	169,934	62,6	43,1	شباط
March	99,403	66,479	156,469	63,5	42,5	آذار
April	101,201	70,689	159,589	63,4	44,3	نيسان
May	104,536	74,045	158,845	65,8	46,6	أيار
June	107,438	78,278	165,463	64,9	47,3	حزيران
July	104,865	80,078	183,573	57,1	43,6	تموز
August	108,600	78,162	200,294	54,2	39,0	آب
September	121,837	91,286	195,039	62,5	46,8	أيلول
October	141,036	106,358	183,889	76,7	57,8	تشرين اول
November	154,711	111,474	200,532	77,2	55,6	تشرين الثاني
December	142,852	109,202	198,391	72,0	55,0	كانون اول
1952						١٩٥٢
January	146,933	115,795	202,966	72,4	57,1	كانون الثاني
February	149,211	116,972	205,645	72,6	56,9	شباط
March	160,571	127,016	220,073	73,0	57,7	آذار
April	162,399	128,515	223,991	72,5	57,4	نيسان
May	176,295	139,292	201,131	87,7	69,3	أيار
June	176,936	139,488	206,303	85,8	67,6	حزيران
July	185,987	151,417	215,096	86,5	70,4	تموز
August	168,550	134,351	221,809	76,0	60,6	آب
September	203,160	169,778	227,194	89,4	74,7	أيلول
October	211,343	176,416	223,594	94,6	78,9	تشرين اول
November	216,436	180,654	226,961	95,4	79,6	تشرين الثاني
December	214,187	179,554	241,935	88,5	74,2	كانون اول
1953						١٩٥٣
January	223,892	190,292	234,723	95,4	81,0	كانون الثاني
February	217,908	184,979	235,884	92,4	78,4	شباط
March	228,347	193,128	236,618	96,5	81,6	آذار
April	239,126	197,087	238,440	100,3	82,7	نيسان
May	229,147	180,767	227,550	100,7	79,4	أيار
June	248,466	194,216	231,156	107,5	84,0	حزيران
July	197,223	132,472	265,406	74,3	49,9	تموز
August	199,526	136,095	276,846	72,0	49,2	آب
September	216,037	149,160	278,647	77,5	53,5	أيلول
October	234,352	168,479	276,346	84,8	61,0	تشرين اول
November	237,193	170,283	289,878	81,8	58,7	تشرين الثاني
December	218,994	144,368	292,748	74,8	49,3	كانون اول

Source : Credit and Currency Board. المصدر : مجلس النقد والتسليف

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
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investment in cotton growing, prices began to rise once more. At the end of 1951 rising import prices, coupled with the poor grain crop, were reflected in local retail prices, and prices continued to rise until mid-1952, when governmental action and steadier import prices had a salutary effect. Thus, generally speaking, the retail price of household goods has risen five or six times since before the war, and the currency in circulation has also risen despite the fact that the official credit policy has been restrictive; although the note issue is now only £S46 million higher than in 1946 (at 31 December 1951 it was £S248 million), bank deposits have increased from £S96·2 million at the end of 1949 to £S198·3 million at the end of 1951. At that date the currency was covered, as to gold 9·9 per cent, foreign exchange 6 per cent, commercial bonds 1·4 per cent, treasury bills 33·5 per cent, and state loans or guarantees 48·9 per cent.

Direct taxation on income and the land accounts for only about a quarter of the Syrian budget;[1] this is less than before the war, for the proportionate amount from the land has fallen from 30 per cent to about 14 per cent in 1950; the estimate for 1952 was 18 per cent. Receipts from customs duties have increased considerably and these, with other indirect taxes, have helped to make the burden less 'fairly' distributed. Indirect taxes are levied on sugar, petroleum, and other essential commodities. Budgetary expenditure since before the war has increased seventeenfold, and since 1949 the total annual expenditure has increased by more than a quarter; but whereas expenditure on health, education, and public works has increased only slightly, that on defence has trebled and accounts for over a third of total expenditure. Agriculture, with only 2 per cent of the budget, is insufficiently provided for and it is hoped that its share will be increased.

Banking is largely but not exclusively in the hands of foreign banks; La Banque de Syrie et du Liban (French) has the concession for the note issue, but there is talk of starting a Syrian National Bank; among other commercial banks are La Banque Nationale pour le Commerce et l'Industrie (French) and the British Bank of the Middle East. The foreign-exchange market has always been less influential than that of Beirut, but in this respect Aleppo is growing in importance. There is a recognized free market for exchange[2] in which merchants and Government alike deal. The official rate of £S6·19 = £1, used mainly for Government transactions, was abolished in June 1953 for all purposes except Government transactions with petroleum com-

[1] See table 2, p. 502 below. [2] See table 3, p. 503 below.

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The banking system was developed, but this improvement was partly offset by the shocks caused by successive devaluations of the franc, to which the Syrian pound was linked on an exchange standard. Slight reforms were introduced in the fiscal system, and steps were taken to protect industry. Until 1924, the Ottoman tariff of 11 per cent on almost all goods had remained in force. In 1924, a distinction was made between members of the League of Nations and the United States, goods from which were subjected to the "normal" tariff of 15 per cent, and other countries, 1/ which paid the "maximum" of 30 per cent; industrial machinery was exempted from customs duties. In 1926, the normal rate was raised to 25 per cent and the maximum to 50 per cent. In 1928, duties on raw materials and fuels were reduced. In the nineteen thirties, the general level of the tariff was lowered, but protection to Syrian industry was increased. As a result, several modern factories were established, and there was also some modernization of the handicrafts, by the installation of improved tools and power driven machinery. 2/

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During the Second World War the large-scale expenditure of Allied troops raised incomes and prices, 3/ thus stimulating agricultural and industrial production, and the reduction of imports also aided local production. Owing to some mechanization, and to the fact that cultivation of marginal land became profitable, the area sown to major field crops increased by about 40 per cent between 1938 and 1945. This extension of acreage was, in some years, offset by a decline in yields, but the grain crop at the end of the war was distinctly greater than before the war. Industry expanded considerably, and communications were improved. The forced saving, due to inflation and the shift to profits, took the form of franc and sterling balances held by Syrian individuals and institutions.

1/ Owing to special arrangements, trade between Syria, Lebanon, Palestine and Transjordan was exempt from duties on either side.

2/ Both the decline in handicrafts and the rise of modern industry are reflected in the following figures, covering Syria and Lebanon, presented by the Mandatory Government to the League of Nations in 1937: in 1913, there were 310,000 handicraft workers; by 1937, the number had declined to 171,000, most of whom were in Syria; on the other hand, there were 33,000 workers in "modern industries", of whom a little over 40 per cent were in Syria and the rest in Lebanon.

3/ From 1940 to 1944 inclusive, Allied expenditure in Lebanon and Syria totalled £76 million (sterling). In 1939 to 1945, inclusive, Lebanon and Syria had a surplus of 607 million Lebanese-Syrian pounds on current account. The index number of retail prices of twenty-two essential commodities in Damascus rose from 100 in 1938 to 831 in 1945.

Finance and public finance

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The post-war period witnessed some important changes in Syria's monetary and banking system, in its foreign exchange system and in its public finances. The large increase in production, investment and commerce noted above had its counterpart in the development of the banking system 1/ and expansion of the money supply (see table 10), most of which has taken the form of bank deposits.

This expansion of the money supply in the post-war period has not been matched by a rise in prices. Between 1945 and 1949 the trend was downward. The discontinuance of Allied military expenditure, together with a sharp increase in the import of surplus, led to a sizable deficit on current account. 2/ Moreover, the 1945 and 1946 budgets showed a surplus, and although the 1947 and 1948 budgets closed with a deficit the amount involved was small. Investment remained at a low level. The Arab-Israeli war led to a large budget deficit in 1949; this was, however, offset by the very low level of investment and the huge import surplus. The index of retail prices of twenty-two essential commodities in Damascus fell from its peak of 831 in 1945 (1938 = 100) to 478 in 1949. 3/

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During the period 1950 to 1954, on the other hand, prices rose. The large-scale investment in cotton, and the sharp increase in the quantity and value of exports of cotton and cereals, which led to a position approaching equilibrium in the balance of payments (see table 53), raised incomes. Subsidiary factors were pipeline construction, high building activity, 4/ and small budget deficits. The rise in import prices, aggravated by hoarding and speculation in 1950 and 1951, also played a part. The rise in prices remained, however, small in scale. The index of wholesale prices of raw materials in Damascus, in which cotton has a heavy weight, rose from 100 in 1949 to 111 in 1950 and 136 in 1951; the fall in cotton prices led to a drop to 119 in 1952 and 110 in 1953. Improved cotton

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1/ Foreign banks account for the greater part of banking activities in Syria; in recent years several banks have opened branches in Syria and existing banks have set up new offices in the smaller towns. In the first half of 1954 seven new banks, mostly Syrian or Lebanese, were established, bringing the total to seventeen. The country is still, however, inadequately provided with long-term credit for agricultural and industrial development, a gap that has been only partly filled by the Government-owned Agricultural Bank and Government loans to industry (see above).

2/ It is difficult to distinguish between Syria's and Lebanon's shares in the trade of the customs union, but there is no doubt that Syria had a large import surplus. This was not covered by such receipts as revenue from petroleum companies and remittances sent by emigrants.

3/ Ministry of National Economy, Statistical Abstract, 1953. There was no index of wholesale prices in Syria prior to 1949; the wholesale price index in Beirut fell from its peak of 1,038 in 1945 (1939 = 100) to 641 in 1949.

4/ Authorized floor space for new buildings in Damascus increased from 56,000 square metres in 1945 to 166,000 in 1949, 209,000 in 1950, 162,000 in 1951, 210,000 in 1952 and 265,000 in 1953.